

Message Text

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ACTION ABF-01

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FROM JOSEPH EDER, DIRECTOR, EUROPEAN BRANCH, USGAO

E.O. 11652: N/A
TAGS: AGAO, EMIN, SW
SUBJ: GAO REVIEW: "ASSESSMENT OF THE INCREASING RELIANCE OF U.S.
MANUFACTURERS ON FOREIGN PROCESSED MATERIALS"

REF: (A) STATE 190145; (B) GAO LETTER DATED AUGUST 24, 1978;
(C) STOCKHOLM 3408.

1. GAO APPRECIATES EMBASSY CONCERNS WITH SUBJECT REVIEW
AS OUTLINED IN REF C. WE TOO WISH TO AVOID RAISING SWEDISH HACKLES.

2. GAO APPRECIATES AND ACCEPTS EMBASSY OFFER TO OBTAIN ADVANCE
ANSWERS TO QUESTIONS IN REF B, WITH DISCUSSIONS WITH SWEDISH
OFFICIALS TO FOLLOW IF NECESSARY. AS AGREED WITH EMBASSY ECONOMIC
OFFICER, OUR NEW ITINERARY IS AS FOLLOWS:
SEPTEMBER 21-22 -- MEETINGS WITH EMBASSY OFFICIALS TO DISCUSS
REVIEW, EXAMINE DOCUMENTATION, AND OBTAIN ANSWERS TO QUESTIONS IN
REF B. IF IT IS STILL DEEMED NECESSARY TO HOLD MEETINGS WITH
SWEDISH OFFICIALS, APPOINTMENTS WILL BE MADE FOR OCT. 2 - 6.

3. (A) WITH RESPECT TO EMBASSY VIEWS CONCERNING QUESTIONS POSED,
THE FOLLOWING ADDITIONAL BACKGROUND IS PROVIDED. GAO HAS
DEVELOPED CONSIDERABLE BACKGROUND INFORMATION IN PREPARATION FOR
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THIS REVIEW. DURING THE INITIAL PHASE OF OUR STUDY WE IDENTIFIED:
--THOSE MATERIALS FOR WHICH RELIANCE ON FOREIGN PROCESSING
IS INCREASING SIGNIFICANTLY;
--SEVERAL UNDESIRABLE EFFECTS OF THESE SHIFTS INCLUDING (1)
INCREASED UNEMPLOYMENT, (2) LARGER BALANCE OF PAYMENTS DEFICITS,
AND (3) LOST DEFENSE PREPAREDNESS CAPABILITY;
--APPARENT CAUSES OF THE SHIFT IN TERMS OF ECONOMIC FACTORS AND

U.S. AND FOREIGN GOENT ACTIONS THAT SEEM TO BE
ACCELERATING THE SHIFT;
--APPARENT LACK OF IMPLEMENTATION OF NATIONAL MATERIALS POLICY
GOALS BY EXECUTIVE AGENCIES, AND APPARENTLY INEFFECTIVE
IMPLEMENTATION OF LEGISLATIVE MANDATES FOR OVERVIEW AND ANALYSIS
OF MATERIALS ISSUES IN SEVERAL AGENCIES; AND
--CONGRESSIONAL CONCERNS ABOUT THE LACK OF EFFECTIVENESS IN
PROVIDING AN OVERVIEW OF GOVERNMENT ACTION AS EXPRESSED IN H.R.
10859, INTRODUCED ON FEBRUARY 8, 1978.

(B) IN THE UNITED STATES WE ARE NOW IDENTIFYING CASES IN WHICH
GOVERNMENT ACTIONS HAVE CONTRIBUTED TO THE INCREASING U.S.
RELIANCE ON FOREIGN MATERIALS, OUR ANALYSIS INCLUDES:
--SPECIFIC IDENTIFICATION OF PLANT CLOSINGS OR CHANGES IN
PRODUCTIONS;
--DEVELOPMENT OF THE SPECIFIC LINKAGE BETWEEN THE ACTIONS OF
U.S. AND FOREIGN GOVERNMENTS AND THESE PLANT CLOSINGS OR CHANGES
IN PRODUCTION;
--IDENTIFICATION OF THE SPECIFIC IMPACT OF PLANT CLOSURES AND
CHANGES IN PRODUCTION ON EMPLOYMENT, BALANCE OF PAYMENTS AND
DEFENSE PREPAREDNESS CAPABILITY;
--AN OVERVIEW OF AGENCY EFFORTS TO IMPLEMENT OR EVALUATE
MATERIALS POLICY GOALS.
(C) WITH RESPECT TO OUR OVERSEAS WORK, WE WANT TO DEVELOP
INFORMATION ON:
--ACTIONS OF FOREIGN GOVERNMENTS TO SUSTAIN AND/OR EXPAND THEIR
MATERIALS PROCESSING INDUSTRIES, TO INCLUDE COMMENT BY FOREIGN
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FIRMS REGARDING THE IMPACT OF GOVERNMENT ACTIONS IN THEIR COUNTRIES;
--ACTIONS OF FOREIGN GOVERNMENTS TO RESTRICT EXPORTS OF ORES/
CONCENTRATES AND EXPAND EXPORTS OF PROCESSED MATERIALS; AND
--MATERIALS POLICY POSITIONS FORMULATED THROUGH INTERNATIONAL
FORUMS.

4. (A) TO DATE, WE HAVE HELD DISCUSSIONS WITH OFFICIALS OF MANY
U.S. GOVERNMENT AGENCIES, INCLUDING THE BUREAU OF MINES, INTER-
NATIONAL TRADE COMMISSION, ENVIRONMENTAL PROTECTION AGENCY, AND
THE DEPARTMENTS OF COMMERCE, STATE, TREASURY, LABOR AND DEFENSE.
WE ALSO HELD DISCUSSIONS WITH OFFICIALS OF VS U.S. CORPORATIONS,
ASSOCIATIONS AND ORGANIZATIONS IN THE PRIMARY METALS INDUSTRY.
(B) IN ADDITION, WE HAVE REVIEWED VARIOUS DOCUMENTS SPECIFICALLY
FOCUSING ON SWEDEN, SUCH AS THE FOLLOWING EMBASSY-PREPARED
STUDIES: AIRGRAM-38, SWEDISH IRON ORE PRODUCTION AND FOREIGN
TRADE - CALENDAR YEAR 1977; AIRGRAM - 24, INDUSTRIAL OUTLOOK
REPORT - MINERALS, SWEDEN; AND THE MAY 1978, "FOREIGN ECONOMIC
TRENDS AND THEIR IMPLICATIONS FOR THE UNITED STATES - SWEDEN."
WE HAVE ALSO REVIEWED SEVERAL FACT SHEETS PREPARED AND PUBLISHED
BY THE SWEDISH INSTITUTE.
(C) WE BELIEVE THAT OUR OVERSEAS WORK, INCLUDING DISCUSSIONS
WITH HOST GOVERNMENT AND INDUSTRY OFFICIALS, IS ESSENTIAL IN

ORDER TO PROVIDE CONGRESS WITH A COMPLETE EVALUATION OF THE IMPACT THAT THE INCREASED RELIANCE ON FOREIGN PROCESSED MATERIALS HAS ON THE U.S. ECONOMY; AND RECOMMEND WAYS THE U.S. GOVERNMENT CAN IMPROVE THE EFFECTIVENESS OF ITS IMPLEMENTATION OF A NATIONAL MATERIALS POLICY.

5. WE WOULD APPRECIATE RECEIVING EMBASSY ASSISTANCE IN MAKING HOTEL RESERVATIONS FOR SINGLE ROOMS WITH SHOWER FOR MESSRS. BENEDICT AND ROGERS FOR THE NIGHTS OF SEPTEMBER 20 THROUGH 23 AT THE HOTEL PLAZA.ERICKSON

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